

Message Text

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ACTION EUR-25

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C O N F I D E N T I A L USNATO 3875

E.O. 11652: GDS, 31-12-79

TAGS: MCAP, NATO

SUBJECT: BURDENSARING

1. FROM INFORMAL CORRIDOR DISCUSSIONS WITH OTHER ALLIED DELEGATIONS ON U.S. BALANCE OF PAYMENTS DEFICIT ON MILITARY ACC ACCOUNT, USNATO HAS LEARNED THAT WE CAN EXPECT CLOSE QUESTIONING FROM ALLIES WHO WILL WISH TO SATISFY THEMSELVES AND THEIR GOVERNMENTS THAT ENTIRE \$1.5 BILLION DEFICIT IS PROPERLY CHARGEABLE AS A COST RESULTING FROM THE STATIONING OF OUR FORCES IN EUROPE.

2. THE PRESIDENT, IN HIS MAY 3 REPORT TO THE CONGRESS, CLEARLY INDICATED THAT OUR POSITION WAS "UNIQUE IN THAT OUR DEPLOYMENTS IN EUROPE ADD SIGNIFICANTLY TO OUR GENERAL BALANCE OF PAYMENTS DEFICIT" AND THAT THE UNITED STATES SPENT ABOUT \$2.1 BILLION IN OTHER NATO COUNTRIES TO SUPPORT OUR NATO DEPOYMENTS. SECRETARY SCHLESINGER, ON JUNE 7 AT DPC MINISTERIAL, LIKEWISE EMPHASIZED THAT THIS DEFICIT "IS STRICTLY RELATED TO THE COSTS OF THE UNITED STATES CONTRIBUTION TO NATO." OUR PRESENTATION TO NATO ON MAY 29 WAS ALSO BASED ON THE IDEA THAT THE ENTIRE \$1.5 BILLION DEFICIT AFTER DEDUCTION OF RECEIPTS WAS ON NATO ACCOUNT. AT THE JUNE 7 DPC MINISTERIAL IT WAS AGREED THAT THE ALLIES STUDY "THE POSSIBILITY OF A MULTILATERAL PROGRAMME TO COMPENSATE THE UNITED STATES FOR THE STATIONING OF THEIR FORCES
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IN EUROPE."

3. INFORMAL QUESTIONS HAVE ALREADY BEEN RAISED ABOUT PROPRIETY

OF INCLUDING THE FOLLOWING ITEMS AS PART OF THE BOP DEFICIT RESULTING FROM THE STATIONING OF U.S. TROOPS IN EUROPE: (A) APPROXIMATELY \$39 MILLION FOR PAYMENT OF PENSIONS TO RETIRED MILITARY PERSONNEL LIVING OVERSEAS IN THE NATO AREA, CLAIMS, AND NET FOREIGN CURRENCY ADJUSTEMENTS; (B) APPROXIMATELY \$100 MILLION FOR THE PURCHASE OF HARRIER AIRCRAFT FROM THE U.K.; (C) AND AN UNSPECIFIED AMOUNT FOR EXPENDITURES ON U.S. STRATEGIC OPERATIONS IN TURKEY.

4. MISSION WOULD LIKE TO HAVE A RATIONALE FOR INCLUDING THE ABOVE ITEMS IN U.S. ESTIMATE. REQUEST GUIDANCE AS TO THE IMPORTANCE OF THESE ITEMS AND WHETHER MISSION SHOULD INSIST ON RETAINING THEM, IF THE ALLIES OBJECT, OR DROP THEM IN THE INTEREST OF MOVING AHEAD WITH THE STUDY.

5. MISSION HAD INFORMAL INDICATION FROM THE CANADIAN DELEGATION THAT CANADA FEELS IT SHOULD NOT CONTRIBUTE TO BURDENSARING SINCE IT IS ALSO A NORTH AMERICAN POWER WITH TROOPS STATIONED IN EUROPE. BUT SINCE CANADA HAS VERY FEW TROOPS IN EUROPE AND DEVOTES A LOWER PORTION OF GNP TO DEFENSE THAN ANY OTHER COUNTRY, MISSION FEELS THAT CANADA SHOULD CONSIDER ACCEPTING A LARGER SHARE OF NATO BUDGETS AND INFRASTRUCTURE PAYMENTS.

6. REQUEST WASHINGTON COMMENTS PRIOR TO STUDY GROUP MEETING ON AUGUST 21.

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